

PUBLIC BENEFITS IN WISCONSIN:

THE *WISCONSIN FOCUS ON ENERGY*

**ENERGY EFFICIENCY AND RENEWABLE ENERGY
PLAN**

**Department of Administration
Division of Energy**

November 15, 2000

DOCUMENT NOTE

This document is intended to outline the process that the Department of Administration (DOA, or the Department) will use to design, implement, and monitor the statewide Public Benefits program, which will be known as the Wisconsin Focus on Energy program. It will also explain the statutory requirement mandating state responsibility for the provision of these programs.

Comprehensive planning for the statewide program will be critical to the program's overall success. Programs and services will be designed and managed to maximize overall benefits for the intended recipients: the residents and businesses of Wisconsin. It is important to recognize that this plan is a living document. As the needs of Wisconsin, and its energy markets, continue to evolve, so too will the elements of this plan. The Department, along with its Program Administrators and especially its Evaluation Contractor will monitor not only the programs, but also the state and regional energy markets to ensure that programs and services continue to serve their intended recipients. Continuous monitoring will allow the Department to ensure that each program achieves its full potential. As specific energy efficiency markets begin to transform (an indication that the private sector is beginning to provide the goods and services independently), DOA will modify programs to reduce government involvement. Regular reports will make available detailed information on the progress that has been made in each program area.

This plan will provide readers with basic information concerning the background and history of the project. Desired outcomes and goals are enumerated. As with all state programs, delineation of duties between the public and private sectors is important. This plan attempts to fully explain both roles to ensure that responsibilities are clearly understood without overlapping efforts. Finally, although detailed program design will await the selection of Program Administrators, this plan outlines the basic parameters of each target market, and describes the central programs that will be included in the statewide program. The Program Administrators, following their selection, will provide complete, detailed plans.

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INTRODUCTION

In October 1999, the Wisconsin Legislature passed 1999 Wisconsin Act 9, which included a comprehensive public benefits package and assigned DOA the task of establishing and overseeing public benefit programs previously operated by investor owned utilities under Public Service Commission (PSC) regulatory supervision.

“Public Benefits” is the term used to describe the variety of programs historically provided by investor-owner utilities in response to regulatory mandates from the Public Service Commission. These have included benefits to low-income consumers, energy efficiency programs, renewable energy programs and research and development efforts. Generally speaking, these programs fall into the economic category of “public goods” in that they provide a benefit to all members of society, whether the beneficiaries choose to pay for the benefit or not. Because there is no way to exclude non-payers and because benefits to non-payers do not come at the expense of others, economists generally conclude that profit oriented firms will under-produce such goods and services. If the benefits are to be achieved by society, it falls to the government to assure their provision (not necessarily to provide them directly). This is the fundamental assumption underlying the Public Benefits program in Wisconsin. A further key hypothesis is that, apart from the low-income component, individuals and businesses, when given an appropriate environment and a better understanding of the benefits of energy efficiency will opt to produce and demand a greater amount of energy efficient goods and services than they do currently. This underlies the strategy of “market transformation” that is key to the energy efficiency and renewable energy components of this Public Benefits plan.

In Act 9, the State of Wisconsin accepted the responsibility to establish and oversee utility related public benefit programs for Wisconsin residents. The evolution from utility to state management will occur over a three-year period, ending December 31, 2002. During this time, utilities will gradually transition their program responsibility to the state.

The legislation provides funding for these programs from a combination of a nontaxable customer charge on utility bills and the continuation of rate-based funding at the 1998 level of expenditure by Wisconsin utilities. The nontaxable charge will provide approximately \$37.4 million annually for low-income, energy efficiency, renewable energy and research and development programs and will become effective in the fall of 2000. The 1998 level of expenditures for similar proposals has been determined by the PSC to be \$67.1 million, and will be transferred to the DOA at a rate to be determined by the PSC. See appendix A for a more detailed funding explanation.

VISION

DOA will devise a statewide Public Benefits program, called Wisconsin Focus on Energy, to provide the full range of Public Benefits envisioned in the enabling legislation. The energy efficiency, renewable energy and research portions of the program will be based on cooperative partnerships between consumers, utilities and government at all levels. These programs will initiate the process of transforming the markets for energy efficient and renewable energy products and services into profitable and self-sustaining markets. DOA envisions that these markets will ultimately function with sharply reduced

external intervention. The following points outline DOA's vision for the *Wisconsin Focus on Energy* Energy Efficiency and Renewable Energy program:

- Wisconsin Focus on Energy will help create the infrastructure and knowledge base necessary to enable competitive, profit-oriented firms to deliver increased levels of energy efficiency and renewable energy.
- Wisconsin Focus on Energy will explicitly recognize the inseparable link between energy, the environment and the economy. A well conceived, comprehensive policy will not disadvantage any one of these core elements. In many, if not most, cases, wise policy choices will result in energy and economic savings at the same time they reduce negative environmental impacts.
- Wisconsin Focus on Energy will initiate energy efficiency and renewable energy policies that make significant contributions to the reliability of Wisconsin's energy supply.
- Wisconsin Focus on Energy programs, especially those in the renewable energy field, will be of particular benefit to the development of Wisconsin's rural economy.

DESIRED OUTCOMES & PROGRAM GOALS

DOA will specify outcomes for the various components of the Wisconsin Focus on Energy program, leaving detailed design and implementation proposals to its Program Administrators. It is the Department's intent to strike a careful balance – allowing contractors to propose the design and implementation methodology for programs in their area of expertise, while DOA maintains overall control of the statewide programs. Program Administrators will, however, be held accountable for achieving desired outcomes. DOA will work closely with its Program Administrators and its Evaluation Contractor to develop agreed-upon evaluation metrics and designs that accurately assess the achievement of specified outcomes. DOA will also utilize Technical Advisory Groups to allow the Department to stay current with advancing technologies and policies and make periodic improvements to the Wisconsin Focus on Energy program. Finally, DOA will regularly consult with the Utility Public Benefits Council on major program components.

Overall, the Department expects to intervene only minimally in the market. Using minimal influence means that the private sector will be able to arrive at the most efficient combination of goods and services demanded by Wisconsin residents and businesses. It is critical that the Wisconsin Focus on Energy program remain flexible and able to adapt to changing market conditions and improving knowledge of the markets. As the markets continue to evolve and transform in support of energy efficient goods and services, the State's programs must be able to change accordingly.

The Division of Energy will work with the Program Administrators and the public and private sectors to:

- Manage energy efficiency programs in the residential, commercial, industrial, institutional and agricultural sectors of Wisconsin. The goals of these programs will be to: 1) transform the energy efficiency market place, 2) increase reliability, 3) reduce the environmental impact of energy use and 4) promote rural economic development.

- Achieve secondary goals that include reducing the rate of energy consumption, reducing peak demand, and reducing dependence on energy imported to Wisconsin.
- Provide safe, reliable and affordable home energy to residents of Wisconsin.

ROLE CLARIFICATION AND DEFINITION

DOA ROLE

In August 1998, DOA embarked on a pilot program to determine whether a state agency was an appropriate and reasonable entity to implement energy efficiency, market transformation programs. The DOA pilot was unique compared to the efforts of other states because Wisconsin was testing this approach prior to deregulation of the electric utility industry. Although the timing of the pilot tested only the state's ability to help "prepare" the market for transformation, results thus far have been encouraging and have demonstrated that the public sector can be a viable player in transforming the largely private sector energy efficiency market.

The size and scope of the Public Benefits program will be many times greater than anything undertaken in the course of the pilot program and will be accomplished with only minor increases in resources. Therefore, careful planning will be required in order to utilize existing staff and limited resources effectively. In general, DOA staff will be utilized for their policy expertise; their primary role will not extend to day-to-day program implementation. Given this perspective, the DOA role can be divided into five categories:

1. Policy Planning and Program Design
2. Procurement and Contract Administration
3. Communication
4. Oversight and Reporting
5. Evaluation Coordination and Program Adjustments

1. Policy, Planning and Program Design

The overriding role of DOA staff will be to ensure that the design of each element of the Wisconsin Focus on Energy program contributes to the achievement of the goals established for the program. While the Department will work closely with its Program Administrators and numerous other experts, DOA will retain ultimate decision-making authority over the policies of the Wisconsin Focus on Energy program and assure that they are in the best interests of the State of Wisconsin. This must be true of the original program design as well as any mid-course modifications that may be made as programs evolve and understanding deepens.

2. Procurement and Contract Administration

DOA also has an obligation to conduct a procurement program that is consistent across sectors. Policy objectives will be identified for each sector in advance of the solicitation process. Standard procedures for the procurement process will make it easier to treat contractors consistently. It also will allow contractors to compare contracts closely and determine in which area they should bid. In selection of Program Administrators, DOA will work closely with the state procurement office.

A major element of DOA's procurement and contract administration role will be the determination of annual funding levels. DOA has established, in Appendix D, an annual range of anticipated funding for each major element of the Wisconsin Focus on Energy program. Proposers will be expected to propose the programs and

funding amounts, within the range, which they would expend in each of the first three years of the contract. They also will be expected to propose for each year, a portion of this amount that will be considered “core” and allotted, in the initial contract, for the three-year period. Funding authorization not included in the “core”, up to the “maximum” will be negotiated with DOA on an annual basis and awarded by November 1 of each year for the following calendar year. Within this framework, DOA intends to fully award all funds available each year to the Administrators selected pursuant to the original RFPs. Thus, DOA will be able to annually determine its current priorities and direct spending to those purposes in a timely fashion.

DOA will make every effort to attract and contract with premier implementation contractors. DOA will grant those contractors adequate design and implementation authority to allow them to propose and deliver successful programs. By granting this authority, DOA anticipates that the competitive nature of the free market will elicit innovative new ideas. The DOA role will be to hold the contractors accountable for the results of their activities.

3. Communication

Given the statewide scope and size of the Wisconsin Focus on Energy program, good communication between and among all team members will be critical. It will be incumbent upon every team member, including Program Administrators, subcontractors and DOA staff, to take personal responsibility for keeping others informed of relevant information and activities. To facilitate the communication process, DOA will initiate the following:

- a) Hold a kick-off meeting as soon as Program Administrators and as many subcontractors as possible are on board;
- b) Hold regular meetings with Program Administrators and all subcontractors;
- c) Sponsor an annual conference to share program results and lessons learned with program people, stakeholders and the public;
- d) Hold regular DOA contract managers meetings;
- e) Hold regular teleconferences with DOA staff and Administrators;
- f) Publish a regular Wisconsin Focus on Energy newsletter for all participants and interested parties;
- g) Maintain a fully developed Wisconsin Focus on Energy Web site, with regular updates of news and activities from all programs and Administrators.

Finally, one of DOA's most important communication obligations will be to help Program Administrators understand the dynamics of the multiple stakeholders with strong interests in the Wisconsin Public Benefits program. While the input of all stakeholders is important and will continue to be sought, there is no expectation that it will all be consistent with the established goals of the program. DOA will assist the Program Administrators in their understanding of and response to stakeholder input so that continuous progress toward the goals is maintained.

4. Oversight and Reporting

The primary goal of program oversight should be to ensure policy goals and objectives are met. To the extent possible, DOA will concentrate on results (outcomes) rather than specific activities (inputs) and short-term results (outputs). Having already given significant implementation discretion to the Program

Administrators, DOA will expect their reports to contain careful analysis of their activities compared to their work plans, which demonstrate clear progress toward achieving the overarching policy goals established by DOA. With this information, DOA staff, in conjunction with its Evaluation Contractor, will evaluate outcomes and gauge the overall success of the programs, justifying program modifications as necessary.

Oversight includes three components:

- a) **Fiscal** oversight examines how contractors have expended resources and determines whether funds will be adequate for the program as it proceeds and evolves.
- b) **Contractual** oversight reviews compliance with the non-fiscal requirements of the contract. DOA staff will regularly review program goals and assess whether those goals are being met. Discrepancies will be resolved immediately with the Program Administrator(s).
- c) **Practical** oversight involves examining how specific offerings contribute to the overall goals of the program (utilizing such measures as customer satisfaction, etc.). This type of oversight is perhaps most important to the overall success of the program.

As the agency directing the overall policy goals of the Wisconsin Focus on Energy program, DOA will provide a prompt and thorough review of all reports generated by Program Administrators. Questions and concerns arising from reports or other sources should be raised as soon as possible. The expeditious resolution of any questions, disputes or outstanding issues will be necessary to ensure that the Wisconsin Focus on Energy programs run smoothly.

5. Evaluation Coordination and Program Adjustments

The evaluation function of the Wisconsin Focus on Energy program will serve a dual purpose. First, an unbiased evaluation of program design and implementation will be necessary in order to report back to the Wisconsin Legislature and Governor on the efficacy of the Wisconsin Focus on Energy program. Elected officials need this information to adequately decide the future of public benefit investments. Essentially, this part of the evaluation answers the question “What did the taxpayers receive for their investment?”

In addition to the traditional evaluation process, a “formative evaluation” will allow DOA to identify program shortcomings and opportunities for improvement. Changes are important to ensure that the programs, as originally created, continue to evolve and meet overall goals. DOA is responsible for a successful program and therefore, will make every effort to compensate for any shortcomings in program design or failings in program delivery. The evaluator will be expected to identify shortcomings; DOA, in consort with Program Administrators, will assume responsibility for developing responses.

DOA is committed to identifying and documenting the full range of benefits received by the public as a result of the Wisconsin Focus on Energy program. These benefits go well beyond the traditional kWh and therm savings documented in many demand-side management programs. Adequate metrics, however, have yet to be developed in some cases, especially in the area of environmental benefits. DOA anticipates

that the evaluation function will include the development and application of innovative metrics to identify and quantify these benefits. DOA staff will work closely with the Evaluation Contractor in this regard.

PROGRAM ADMINISTRATOR'S ROLE

Clearly stated performance expectations and consistent enforcement of those expectations, through time and across various contracts, are the foundation of strong working relationships and successful contract performance. A solid understanding of performance expectations will contribute to a solid understanding of the goals and objectives of the programs. The Program Administrator's role can be divided into four categories:

1. Program Design
2. Subcontracting
3. Program Implementation
4. Reporting

1. Program Design

Program design must meet the goals and objectives set forth by DOA. Administrators will be required to account for the following when planning energy efficiency programs:

A. Clear Statement of Program Theory

The Program Administrator must provide, as a first deliverable, a clear elucidation of the theory underlying its program design, outcomes based on the theory and how its recommendations are consistent with that theory.

B. Identify Target Markets

Before finalizing program designs, Program Administrators must have a thorough understanding of the markets for those programs. This may require program specific market research.

C. Implementation Plan

The second deliverable for Program Administrators will be an implementation plan to fill in the details of the proposal made in the bidding process. This activity will take place in close coordination with DOA program managers and the Evaluation Contractor. DOA will retain approval authority over the underlying program policies and implementation strategies.

D. Develop the Budget

Program Administrators will provide budget estimates to DOA that detail program spending and administrative holdbacks—for both the Administrator and all subcontractors. Budgets may be modified at any time with DOA concurrence.

2. Subcontracting

DOA anticipates that the teams selected by the Program Administrator to implement various components of the energy efficiency program will employ multiple subcontractors. As the size of implementation teams grows, communication between DOA, Program Administrators and subcontractors will become increasingly important. DOA expects to remain fully knowledgeable of all activities of its Program

Administrators and their subcontractors. To maintain productive and effective working relationships, Administrators should maintain the following practices as part of their overall roles:

A. Accurate Listing of Subcontractors

DOA, which will retain approval authority over all subcontractors, will maintain a list of all the subcontractors working on the program. Updates to this contact list will be made as necessary.

B. Allocate Time for Subcontractors in Plans

When preparing program plans, Administrators will be expected to identify the level of involvement for each subcontractor. This will assist DOA in identifying how each of the subcontractors will participate in the project.

C. Communication

It is important for DOA to understand how communication flows on each of the administrative teams. The Department must know whom to contact for information and, alternately, must also know that a message shared with one link in the team will be distributed appropriately to the rest of the team. Subcontractors must also be informed of this process to minimize any possible confusion. DOA will expect Administrators to hold regular team meetings that include relevant DOA staff.

D. Define Decision-Making Process

It is the Administrators' responsibility to define for DOA how implementation decisions will be made—and who on each contract team has final authority.

3. Program Implementation

Once the Program Administrator has completed program design and received approval from DOA, the Program Administrator and appropriate subcontractors will be responsible for successfully implementing programs in such a way that the goals are met. Administrators must adhere to the following:

A. Determine Marketing Effort

Program Administrators will have primary control of the marketing efforts in support of their programs. However, one marketing firm will conduct marketing efforts for all administrators, selected by a team consisting of Administrators and DOA. The selected firm will then enter into direct contracts with each Administrator. DOA will enter into a separate contract with the marketing firm for program-wide marketing efforts, assuring consistency between the marketing functions of different Program Administrators, and overall energy public information and education. Overall marketing will include development of graphics and other elements that will be consistent through time and across Program Administrators.

B. Coordinate with Other Wisconsin Focus on Energy Team Members

While Program Administrators will have primary responsibility for specific objectives and authority to determine the means to achieve those objectives, they will be expected to coordinate their activities with DOA and other Program Administrators. Cooperative ventures are strongly encouraged as a means to reach target audiences effectively and maximize resources. On a practical level,

the Marketing contractor will coordinate events (training, media, etc.) and services to prevent conflicts.

C. Evaluation and Market Assessment

DOA will engage an independent evaluation contractor to develop and manage a comprehensive evaluation of the Wisconsin Focus on Energy program. DOA intends to use the evaluation data as an ongoing management tool, making program modifications as necessary in response to evaluation data and trends. Program Administrators will be required to cooperate with the evaluator in all aspects of program development and implementation so that evaluation objectives are clearly understood and required data is readily available. Program Administrators may also choose to conduct market research necessary to enhance the functioning of their programs. While not strictly for evaluation purposes, this market research should be shared with the evaluation team.

4. Reporting

DOA recognizes its obligation to exercise fiscal oversight of all Wisconsin Focus on Energy funds and to report the results of the programs not only to the Legislature and Governor, but also to the public at large. To meet this obligation, DOA will require a reporting system that provides the necessary data on a regular basis. Consistent with the overall objectives of the Wisconsin Focus on Energy program, reports will attempt to gather data on the full range of benefits delivered to the public, not merely expenditures and kWh savings. Certain standard elements should be required from each Administrator to help maintain consistency:

A. Monthly Invoices and Progress Reports

In order for DOA to track all Wisconsin Focus on Energy program expenditures, each Administrator will develop a standard invoice, containing all documentation required by DOA. The Administrator will be required to submit a monthly progress report with the invoice.

B. Quarterly Reports

Each Program Administrator will also provide a quarterly narrative report describing program activities, accomplishments and recommended modifications. DOA will work with Administrators to develop a template for the quarterly reports.

C. Other

The Program Administrator's will also be required to work cooperatively with the Compliance Agent on these and any other reporting requirements.

PROGRAM OVERVIEW

Although DOA will retain ultimate control over the Wisconsin Focus on Energy programs, the State will rely extensively on private sector expertise to design and deliver these programs to residents and businesses in Wisconsin. Through the State's procurement process, DOA will select non-stock, non-profit Administrators as prescribed by §16.957(3)(b). These Administrators will sub-contract with individual program experts who will work directly with the markets each program targets. The sub-contractors will report to the Program Administrators, and the Program Administrators will be accountable to DOA. The Department will work very closely with the Program Administrators to ensure that a careful balance is achieved between the private and public sectors. Permitting Program Administrators to design and implement programs in their areas of expertise, while maintaining flexibility for the State should help to ensure that these programs meet legislative intent.

In addition to contracting for program expertise, the Department will work directly with several Technical Advisory Groups (TAG's). These groups will be formed to cover at least the following areas:

1. Commercial & Industrial
2. Residential
3. Evaluation
4. Renewable Energy
5. Technology Research and Development
6. Agriculture
7. Small Business
8. Marketing

Each group will be composed of state, regional and national experts who are willing to work directly with the State on individual program issues. Once formed, these groups will meet regularly to review programs and advise the Department. Program Administrators will participate in these groups. The groups will be staffed by, and report directly to DOA. Recommendations will be considered by DOA and forwarded to the Utility Public Benefits Advisory Council for review as appropriate.

MAJOR MARKETS ADMINISTRATOR

The priorities of the Major Markets Administrator will be those identified in 1999 Act 9 which states, "the department shall give priority to proposals directed at the sectors of energy conservation or efficiency markets that are least competitive and at promoting environmental protection, electric system reliability or rural economic development." For purposes of this contract, Wisconsin schools, at all levels, (public and private), will be considered part of the commercial market sector. Federal government buildings will be considered part of the commercial sector depending on the availability of federal funding to implement projects. Local government buildings will also be considered part of the commercial sector. Water utilities and wastewater treatment plants are included under

the industrial sector. In designing programs to achieve the above priorities, energy and other benefits will also be calculated and tracked. Additionally, the Administrator will be expected to leverage its efforts and public benefits funding through appropriate partnerships at a regional and national level.

The Department will issue a Request for Proposals (RFP) to select a single Major Markets Administrator in compliance with §16.957(3)(b). The Department will allow proposers to commit, in their proposal, up to 50% of the total value of the Major Markets contract. Sub-contractors will be required to submit a letter of commitment for their portion of the contract. The non-stock, non-profit provisions of §16.957(3)(b) will not bind sub-contractors. DOA will retain final approval authority over all proposed sub-contractors. Any portion of the total contract value not accounted for in the original proposal will be bid competitively under provisions of Wisconsin Administrative Rule, Admin 44. Whether identified in the original proposal or selected later, no single entity, including the Administrator will be allowed to earn more than 20% of the total value of the Major Markets contract.

The Administrator will be expected to leverage complementary programs at the state, regional and national levels to the extent practical. In particular, this means that the Administrator will be encouraged to design programs on the federal ENERGY STAR[®] and Industries of the Future platforms, but other approaches using similar concepts will be considered. Both EPA and DOE management have expressed eagerness to form such partnerships and will work with Wisconsin Major Markets Administrator through the design and implementation phase of these programs to ensure they meet the needs of Wisconsin customers. Additional partnership opportunities may exist with one or more of the national laboratories operated by DOE.

In designing programs, the Administrator will be expected to use a systematic, theory-based process. For example, the response should state the assumptions about the major market barriers in the targeted markets and specify how the proposed program design will overcome these market barriers, and explain how these programs are sustainable in the long term. This should include the specific, hypothesized sequence of beneficial changes in the behavior of market participants.

Throughout the Wisconsin Focus on Energy program, DOA will act as liaison with other state agencies, e.g., Department of Commerce, Wisconsin Housing and Economic Development Authority, Department of Natural Resources, the UW-Solid and Hazardous Waste Education Center, the UW- Cooperative Extension's Center for Community and Economic Development - Community Natural Resources and Economic Development program and the Department of Agriculture, Trade and Consumer Protection, with whom mutually profitable partnerships have already been forged.

DOA and its Major Markets Administrator will also seek partnerships on the regional level. DOA has frequent contact with other public and private entities in other states in this region and has partnered with many of them in the creation of the Midwest Energy Efficiency Alliance (MEEA.) DOA expects that its Major Markets Administrator will continue to work with MEEA to ensure that Wisconsin retains a regional leadership role and continues to field cutting edge programs; helping to make Wisconsin a national leader in energy efficiency programs.

Although the Major Markets Administrator will propose program specifics, they will be required to design and implement programs in the areas described below. The objective for all subsectors in Major Markets is to create a smarter energy consumer who is better able to cope with a changing energy marketplace. Specific objectives for each subsector are listed after the program descriptions.

A. New Construction Sub-sector

The proposer is to develop a program for the new commercial buildings sector. DOA may consider performance incentives for this program if the new commercial building exceeds the Wisconsin Commercial Building Energy Code by at least 15 percent. The proposer should fully explain any proposed performance incentive levels. DOA strongly encourages the Administrator to incorporate equipment that meets ENERGY STAR, FEMP Guidelines or Consortium for Energy Efficiency (CEE) standards into new commercial buildings in order to achieve their objective. The proposer is also encouraged to base program standards on existing and recognized guidelines rather than develop program specific standards for this program.

Objectives: The objectives for this subsector are to: 1) increase the number of building owners who seek and value information regarding more comfortable, energy efficient new buildings; 2) offer education and training programs to assist building operators in maintaining building efficiency; and 3) increase the number of new commercial buildings that are built significantly more efficient than code; using existing technologies and installing ENERGY STAR equipment, windows and lighting. The Administrator must also work to ensure that geographic distribution among participants is achieved.

B. Existing Buildings Sub-sector

The proposer is encouraged to use the federal ENERGY STAR Buildings program as a platform, but other approaches using the whole-building concept, will be considered. Medium and larger commercial customers would be included in this category (more than 50 employees.) If using the ENERGY STAR Buildings program, the proposer will be expected to work with the U.S. EPA and use the various program elements that serve the needs of Wisconsin businesses.

Objectives: The objectives for this subsector are to 1) reduce energy use, operating expenses and increase occupant comfort in existing buildings; 2) increase the number of building owners and operators who seek and value information regarding improving occupant comfort while reducing the costs of building operation; 3) increase the number of building owners and operators who institute an energy management plan for their buildings; 4) develop education and training programs which assist building owners and operators in achieving their energy efficiency and pollution prevention goals; and 5) work with building owners and operators to implement energy efficiency projects and document program services delivered to customers. The Administrator must also work to ensure that geographic distribution among participants is achieved.

C. Small Retail and Services Sub-sector

Businesses in this sector are typically small (generally fewer than 50 employees), owner-operated retail or service businesses. The proposer is encouraged to use the ENERGY STAR Small Business program as a platform since it can serve many

of these small businesses. However, other approaches using the whole-building concept will be considered. If using the ENERGY STAR Small Business program, the proposer must specify those needs that can be met by the program and those needs that will require additional services. The proposer is encouraged to explore other existing resources such as those provided by the UW-Cooperative Extension program, especially the "Main Streets" program.

Objectives: The objectives for this subsector are to 1) reduce energy use, operating expenses and increase occupant comfort in existing buildings; 2) increase the number of building owners and operators who seek and value information regarding improving occupant comfort while reducing the costs of building operation; 3) increase the number of building owners and operators who institute an energy management plan for their buildings; 4) develop education and training programs which assist building owners and operators in achieving their energy efficiency and pollution prevention goals; and 5) work with building owners and operators to implement energy efficiency projects and document program services delivered to customers. The Administrator must also work to ensure that geographic distribution among participants is achieved.

D. Industrial: Energy Intensive Industries Sub-sector

The purpose of this subsector is to target the state's energy intensive industrial groups including: Metalcasting, Forest Products (there are efforts currently underway in these two groups), Biotechnology, Food Processing, Chemicals, Glass and Printing. The proposer is encouraged to use the Industries of the Future as an umbrella program, or propose an alternative program that also offers a targeted, state-wide approach that creates partnerships among industry; trade groups; government; supporting laboratories; universities; and non-governmental organizations to research, develop and deliver advanced energy efficiency, renewable energy and pollution prevention technologies to industrial customers. Once activities are underway in each of these industrial sectors, the Administrator will be asked to develop a proposal for creating and funding industrial technology transfer offices similar to the Ohio Department of Development's Thomas Edison program.

The administrator will deliver the program(s) that are being offered under the Industrial General subsector to energy intensive industries as well.

Objectives: The broad objectives of the Energy Intensive Industries subsector are to create partnerships among industry; trade groups; government; supporting laboratories; universities; and non-governmental organizations; to research, develop and deliver advanced energy efficiency, renewable energy and pollution prevention technologies to industrial customers. Programs offered under the Industrial General subsector can also be used with these energy intensive industries to achieve the following more specific objectives: 1) reduce their energy intensity; 2) increase the number of these industries that develop and implement an energy management plan; 3) provide comprehensive training and education programs to help these industries achieve their energy efficiency and pollution prevention goals; and 4) work with participants to implement energy efficiency projects and document program services delivered to customers. The Administrator must also work to ensure that geographic distribution among participants is achieved.

E. Industrial: General Industry Sub-sector

The proposer is to develop a program(s) for this subsector that will simultaneously address energy use, water use and pollution prevention. All industrial SIC codes should be included as well as the Production Agriculture and Water and Wastewater sectors (see description in those areas.) Proposers are encouraged to develop a holistic, plant-wide approach to improving energy and environmental performance, rather than a system-by system-piecemeal approach. The proposer is encouraged to draw upon existing programs such as the U.S. DOE's Best Practices programs (e.g. Motor Challenge, Steam Challenge, Compressed Air Challenge), ENERGY STAR for Industries, electric utility programs, ISO 14000 and the Department of Natural Resources Green Tier program when appropriate.

Objectives: The broad objectives of this subsector are to: 1) reduce the energy intensity of all industrial customers in the state; 2) increase the number of industries that develop and implement an energy management plan; 3) provide comprehensive training and education programs to help industries achieve their energy efficiency and pollution prevention goals; and 4) work with participants to implement energy efficiency projects and document program services delivered to customers. The Administrator must also work to ensure that geographic distribution among participants is achieved.

F. Production Agriculture Sub-sector

This subsector will deliver services to farms of all sizes as well as farm commodity suppliers and distributors (grain elevators, feed mills, fertilizer handling and storage). The proposer is to deliver two types of programs to this sector. First, the proposer should develop a program that focuses on improving energy efficiency, preventing pollution, promoting on-farm energy production and helping to transfer new innovations from the Biotechnology Industries of the Future to production agriculture. A suggested platform for this program is the Industries of the Future, or an alternative program, which could be used to create partnerships among the existing network of agricultural service providers such as the U.S. Department of Agriculture; the Wisconsin Cooperative Extension Service; the Wisconsin Department of Agriculture, Trade and Consumer Protection; local Farm Service agency providers and electric providers.

Second, the administrator will deliver the program(s) that are being offered under the Industrial General subsector to agricultural customers as well.

Objectives: There are two overall objectives in this subsector: 1) create partnerships among existing and new agricultural service providers to improve the overall efficiency and sustainability of the production agricultural industry; and 2) work with all agricultural customers in Wisconsin (this includes small dairy farms) to reduce the energy intensity of their operations and prevent pollution. More specific objectives include: 1) increase the number of agricultural customers who seek and value information regarding improving the efficiency of their operations while reducing costs; and 2) develop a comprehensive education and training program to assist agricultural customers in achieving their energy efficiency and pollution prevention goals. The Administrator must also work to ensure that geographic distribution among participants is achieved.

G. Schools Sub-sector

This program must build on the existing Wisconsin Energy Initiative 2 (WEI-2) program. The proposer should detail how they will continue project implementation in conjunction with approved Cooperative Educational Service Agencies (CESAs). The proposal should include a description of how existing marketing efforts could be maintained and expanded. The Administrator will be required to benchmark each of the participants for comparison purposes and collaborate with U.S. Department of Energy and U.S. Environmental Protection Agency programs and initiatives. The proposal should identify means and opportunities for expansion in public and private schools and technical colleges. The Administrator will be provided an Operation Manual to guide and assist CESA contractors to implement this complex program.

Objectives: The objectives for this program are to complete projects in at least 40 percent of the 426 Wisconsin public school districts, 20 percent of private schools and 20 percent of the technical colleges.

H. Government Buildings and Operations Sub-sector

This category includes the estimated 6,000 federal and local government buildings. The proposal should build on the federal ENERGY STAR Buildings program, or propose an alternative program which utilizes the whole-building approach to energy efficiency. Participation of federal buildings will be contingent on the availability of federal funding.

Objectives: The objectives for this subsector are to: 1) reduce the energy intensity, operating expenses and increase occupant comfort in existing buildings; 2) increase the number of building operators who seek and value information regarding improving occupant comfort while reducing the costs of building operation; 3) increase the number of building operators who institute an energy management plan for their buildings; 4) develop a comprehensive education and training program to assist building operators in achieving their energy efficiency and pollution prevention goals; and 5) work with building operators to implement energy efficiency projects and document program services delivered to customers. The Administrator must also work to ensure that geographic distribution among participants is achieved.

I. Water and Wastewater Treatment Plants Sub-sector

Water utilities and wastewater treatment plants are large energy users that span two categories--industry and government. These entities are unique because the industrial-type equipment is owned and operated by government entities. The proposer is encouraged to use the Industries of the Future as an umbrella program, or propose an alternative program that also offers a targeted, state-wide approach that focuses on this group's specific needs and problems, engages key leaders, and takes advantage of existing lines of communication. In addition, these facilities can participate in the Industrial General programs to achieve their energy efficiency and pollution prevention goals.

Objectives: The broad objectives of the Water and Wastewater sub-sector are to create partnerships among industry; trade groups; government; supporting laboratories; universities; and non-governmental organizations; to research,

develop and deliver advanced energy efficiency, renewable energy and pollution prevention technologies to these customers. More specific objectives include: 1) reduce the energy intensity of operations while also reducing operating expenses; 2) increase the number of facility operators who seek and value information regarding improving the efficiency of their facilities while reducing operating costs; 3) increase the number of facility operators who institute an energy management plan; 4) develop a comprehensive education and training program to assist facility operators in achieving their energy efficiency and pollution prevention goals; and 5) work with facility operators to implement energy efficiency projects and document program services delivered to customers. The Administrator must also work to ensure that geographic distribution among participants is achieved.

J. Energy Efficiency Related Goods and Services

The proposer is required to submit a conceptual framework and a resulting set of proposed programs or activities that focus on enhancing or increasing the supply of energy efficiency goods and services in Wisconsin. These proposed programs should integrate with programs intended to stimulate demand for energy efficiency goods and services.

Objectives: The objectives of this program are to: 1) increase the market share of energy efficient technologies and services; 2) increase the number of sellers or producers of energy efficiency related goods and services; 3) spur the use of technology to improve the quality, delivery or reduce prices of energy efficiency goods or services; 4) influence the expectations of the producers and/or sellers of energy efficiency goods and services; 5) increase the availability and distribution of energy efficiency goods and services; and 6) identify and address regulations that inhibit the supply or increase the price of energy efficiency goods and services.

K. Financing Mechanisms

The proposer should propose one or more financing options that enable customers to implement energy efficiency measures that would otherwise not be implemented. The proposal should include an analysis of the financing mechanisms as they relate to the overall goals of the Wisconsin Focus on Energy program, a discussion of how the mechanisms are sustainable in the long term and the level of funding the proposer thinks is necessary. The proposer will need to consider the various needs of all the customers in this Major Markets category including small businesses, local governments, large commercial, industrial and agricultural.

L. Training and Education Programs

DOA has defined training as: providing practical vocational and technical instruction in a specialized area of interest. Education has been defined two ways: 1) Providing general information to the public about the importance of energy efficiency and 2) Developing curriculum to be used in formal educational settings such as technical colleges or universities. The proposer is required to provide an outline of education and training programs that would be offered in the major markets sector.

For example, training programs may cover various technologies such as HVAC equipment, boilers, motors, compressed air, daylighting, renewables etc. Since one of the objectives is to create a smarter energy customer who is better able to cope with a changing energy market- place, a workshop on what this new environment means for a company, would be an appropriate topic for an event.

M. Marketing

The Major Markets Administrator will retain responsibility for all marketing efforts related to its programs. However, like other Administrators, the Major Markets Administrator will be required to negotiate and enter into an individual sub-contract with a marketing firm, jointly selected by DOA and the Program Administrators. While DOA will exercise approval authority over the final contract, the bilateral marketing contract will govern the entire marketing program for the Major Markets sector. This proposal must include a proposed budget for marketing purposes (which includes printing costs), but details of its expenditure will be addressed in the contract with the marketing firm.

N. Market Assessment

DOA will have a direct contract for an energy efficiency baseline market research study that will be used by both program administrators and the evaluation contractor. However, the Major Markets administrator will be responsible for more detailed market assessments in the major markets sector. The proposal should include an outline of market assessment activities in the Major Markets sector.

O. Renewable Energy

To facilitate the creation of a comprehensive renewable energy plan for the major markets sector, DOA will require the Renewable Energy Administrator, along with the Major Markets Administrator and the Residential Administrator, to develop a set of common goals and strategies and to prepare a joint work plan and budget within 60 days of a signed contract with DOA. The Major Markets Administrator will be required to set-aside a budget of at least 4 percent of its total contract to supplement renewable energy funding in the major markets sector.

The proposer should include a discussion of the barriers to using renewable energy in the major markets sector and how they propose to overcome these barriers. The proposer should also discuss how they will organize to meet the renewable energy requirements.

P. Technology R & D

Over the life of the contract, the Major Markets administrator will identify R & D needs and, in coordination with DOA, will take measures it determines necessary to fulfill them within their allotted budget. The Major Markets administrator will be asked to submit their proposed R & D plan and budget no later than January 1, 2002.

Q. Contingency for Future Projects

The administrator will retain five percent of the total major markets contract and other contracts to be used for new programs or program revisions, as they are needed or as a hedge against revenue shortfalls.

RESIDENTIAL ADMINISTRATOR

The primary goals of the Residential Administrator will be to:

- Increase energy efficiency in Wisconsin households
- Reduce the environmental consequences and emissions resulting from energy use
- Promote rural economic development
- Expand the use of renewable energy technologies in the residential sector
- Promote energy education, training and technical assistance for market players
- Promote energy market information tools, such as ENERGY STAR[®]
- Increase long term electrical energy reliability through the use of energy efficiency, conservation and renewable energy technologies

In designing programs to achieve the above goals, energy savings will be calculated and tracked. Additionally, the Administrator will be expected to leverage its efforts and the public benefits funding through appropriate partnerships at a regional and national level.

The Department of Administration will issue a Request for Proposals to select a single Residential Administrator in compliance with §16.957(3)(b). The Department will allow proposers to identify, in their proposal, sub-contractors for up to 50% of the total value of the Residential Contract. Sub-contractors will be required to submit a letter of commitment for their portion of the contract. The non-stock, non-profit provisions of §16.957(3)(B) will not bind sub-contractors. DOA will retain final approval authority over all proposed sub-contractors. Any portion of the total contract value not accounted for in the original proposal will be bid competitively under provisions of Wisconsin Administrative Rule, Admin 44. Whether identified in the original proposal or selected later, no single entity, including the Administrator will be allowed to earn more than 20% of the total value of the Residential Contract.

The Administrator will be expected to leverage complementary programs at the state, regional and national levels to the extent practical. In particular, this means that the Administrator will make every effort to design programs on the federal ENERGY STAR[®] Homes platform and to build other successful Wisconsin programs. EPA and DOE management have expressed eagerness to form such partnerships and will work with the Wisconsin Residential Administrator through the design and implementation phase of these programs to ensure they meet the needs of Wisconsin customers. Additional partnership opportunities may exist with one or more of the national laboratories operated by DOE. The RFP will invite proposers to submit alternative program ideas, however, they must demonstrate how the program would leverage other state, regional or national efforts.

In designing programs, the Administrator will be expected to use a systematic, theory-based process. For example, the response should state the assumptions about the primary major market barriers in the targeted markets and specify how the program design will overcome these market barriers and explain how these programs are sustainable in the long term. This should include the specific hypothesized sequence of beneficial changes in the behavior of market participants.

During the course of the Wisconsin Focus on Energy program, DOA will act as liaison with other state agencies, (e.g. Department of Commerce, and the Wisconsin Housing and Economic Development Authority) with which mutually profitable partnerships have been forged already.

In addition to capitalizing on the success of existing national programs, DOA and its Residential Administrator will also seek partnerships on the regional level. DOA has frequent contact with other states and entities in this region and has partnered with many of them in the creation of the Midwest Energy Efficiency Alliance (MEEA.) DOA expects that its Residential Administrator will continue to work with MEEA to ensure that Wisconsin retains a regional leadership role and continues to field cutting edge programs; helping to make Wisconsin a national leader in energy efficiency programs.

It is necessary for the residential activities to be carried out in cooperation with utilities' programs. The Public Service Commission will determine when to phase out specific programs during the three-year transition period ending December 31, 2002. Information on utilities' transition plans may be obtained from the state Public Service Commission or the individual utilities.

Although the Residential Administrator will determine program specifics such as program design and implementation, the residential program, at a minimum, will include the following elements:

1. Single Family and 1-4 Units

The proposer will be asked to submit proposals on the design and implementation of programs using a "whole-house" approach. This category is divided into two sub-sectors: New Construction and Existing Homes (1-4 units). Proposers are required to outline program(s) for each sub-sector. Proposals should also discuss how Single Family programs would create synergies among various existing and proposed programs. For example, program elements should build on DOA efforts to increase awareness and use of the ENERGY STAR[®] label to identify appropriately efficient components, appliances, and equipment in residential markets.

The proposer will be asked to direct delivery of services to rural and farm homes, and residential mixed-use buildings.

A. New Construction

The ENERGY STAR[®] Homes program will be the platform for Single Family New Construction. The ENERGY STAR[®] Homes program is in the early stages of an effort to transform the residential new construction market. The program has enjoyed success in its early stages in the Focus on Energy pilot and in the Madison and Milwaukee areas. Proposers are encouraged to incorporate program elements that have proven to be successful in the past including marketing, incentives and training for builders and contractors. Proposers are also encouraged to continue to build the infrastructure to support the program (e.g. including working with lenders, etc.).

B. Existing Homes (1-4 units)

There are roughly 1.4 million single-family homes in Wisconsin and 91,000 mobile homes in Wisconsin with about 2,000 new ones sold each year. There are approximately 104,000 duplex buildings, 208,000 dwelling units, with about

1,300 new buildings added each year. There are about 85,000 dwelling units in 3- and 4-unit buildings. The Residential Administrator will be asked to design and implement programs that build upon two existing programs: The Home Performance Rating and ENERGY STAR® Appliances, Lighting and Windows.

1) Home Performance Ratings

The Residential Administrator will be asked to design and implement a program based upon the Home Performance Rating. The Home Performance Rating will use a whole house market approach to reach consumers, contractors and building professionals. The proposer is encouraged to incorporate program elements that have proven to be successful such as training of Home Raters and the Home Performance Rating Rewards program.

2) ENERGY STAR® Appliances, Lighting and Windows

This program will be specified to follow the format that has proven to be successful in Wisconsin already. Therefore, the proposer will be asked to build upon existing activities with current retailers and manufacturers and expand throughout the state to additional retailers and manufacturers. Incentive rewards, marketing, point of purchase displays and consumer education are among the mechanisms that may be used to reach potential purchasers of ENERGY STAR® products.

Goals to be achieved for existing homes are:

- Through the use of incentives increase the installation of energy conservation measures.
- Energy ratings appear in the Multiple Listing Service for single and duplex properties as an identifier for energy efficient homes.
- Vendors and distributors of ENERGY STAR® products (appliances, lighting, windows) have modified their stocking practices to include a range of ENERGY STAR® products.
- Low and moderate-income housing and finance programs through program standards increase the installation of lighting and appliances that comply with ENERGY STAR® standards.
- Increase the number of home inspectors serving rural communities that are trained to recognize energy wasting characteristics and appliances.
- Increase the number of farmhouses that are improved with use of Home Performance raters and whole house contractors.
- Increase the number of in-home daycare facilities in rural Wisconsin improved with use of Home Performance raters and whole house contractors.

2. Rental and Large Residential Buildings

The proposer will be asked to submit ideas for the design and implementation of a program for the Rental and Large Residential Buildings sector. This sector will also include government owned, funded, or subsidized buildings. The program, at a minimum, will address the following overall goals:

- Provide substantial energy savings
- Expand knowledge and experience with this market sector's needs
- Develop approaches to use low-income weatherization funding in coordination with funding under this plan for comprehensive treatment of rental buildings

- Train, develop, and support an infrastructure of expertise to meet this sector's needs.

Experience with the rental and large building sector in Wisconsin suggests that there are six significant and inter-related program elements that will address the entire sector in a manner that will produce persistent change in this market. The proposer is encouraged to consider these when designing the program. These elements are in order of priority: 1) Retrofit energy efficiency improvements and weatherization in existing multi-family housing; 2) Energy Consulting; 3) New building technologies research and assessment; 4) Promotion and support of adoption of accepted high-efficiency technologies in new and existing rental construction; 5) Tenant education effort; and 6) Creation of a mechanism to train and certify skills in O&M practices.

A common need in all these program areas is the development of a tool(s) to evaluate and describe the energy efficiency of larger residential buildings. If consumers learn to use this rating when selecting rentals, landlords will have a reason to pursue greater energy efficiency, and to compete in the market based on total housing cost, rather than just rental rates.

The proposer will be expected to work with existing programs where possible (such as: the Division of Housing's Energy Program, City of Milwaukee Energy Efficiency Program and Multifamily Facility Management Program--Wisconsin Focus on Energy Pilot).

Objectives for the program are to:

- Reduce energy use, operating expenses, and increase resident comfort for a substantial number of existing units.
- Encourage construction of a number of multi-family buildings that are significantly more efficient than code, using existing technologies (air infiltration control, improved insulation, etc.) and installing ENERGY STAR[®] appliances, windows, and lighting.
- Attract a significant number of buildings to obtain a market-accepted identifier (ENERGY STAR[®] or equivalent) for multi-family buildings.
- Increase the number of multi-family building covered by energy management contracts.
- Increase the number of rental managers who seek and value information regarding improving the comfort and health of their tenants while reducing their living expenses through better energy decisions for the managed properties.
- Create a statewide infrastructure to provide comprehensive management and operations and maintenance (O&M) training to rental property managers, and to recognize managers so trained.
- Increase the number of renters who seek and value information about all expenses incurred in selecting their living unit, and the number of managers providing that information.

3. Education Programs and Training Programs

The development of a training program and an education program that support the program being offered will be the responsibility of the Administrator. DOA has defined training as: providing practical vocational and technical instruction in a specialized area of interest. Education has been defined two ways: 1) Providing

general information to the public about the importance of energy efficiency and 2) Developing curriculum to be used in formal educational settings such as K-12, technical colleges or universities.

The Administrator will be encouraged to continue the ENERGY STAR® Homes Program training series and the "Building a High Performance Home" conferences in all regions of the state. The proposer is also encouraged to investigate the possibility of continuing the Building Performance Contractor Certification program that is currently on the initial development phase. The certification program has three parts: 1) getting a program in place at technical colleges (serving as a continuation education credit program for existing contractors); 2) getting the certification curriculum integrated into the Associate and Diploma degree tracks currently offered for HVAC and building trades; and 3) finding and developing a certification entity to coordinate the, testing process, certification, and credentialing.

4. Market Assessments

DOA will have direct contracts for market research and baseline research that will be used by both Program Administrators and the Evaluation Administrator. These direct contracts may not provide all the market research that may be necessary for the planning and administration of the residential programs. The Residential Administrator will be responsible for more detailed market assessments, whether it comes through other contractors with DOA or subcontracts. The Residential Administrator, in conjunction with the Evaluation Contractor, will be responsible for tracking energy savings and emissions information for reporting to interested parties.

5. Marketing

The Residential Administrator will retain responsibility for all marketing efforts related to its programs. However, like other Administrators, the Residential Administrator will be required to negotiate and enter into an individual sub-contract with a marketing firm, jointly selected by DOA and the Program Administrators. While DOA will exercise approval authority over the final contract, the bilateral marketing contract will govern the entire marketing program for the residential sector. This proposal must include a proposed budget for marketing purposes (which includes printing costs), but details of its expenditure will be addressed in the contract with the marketing firm.

6. Renewable Energy

To facilitate the creation of a comprehensive renewable energy plan, DOA will require the Renewable Energy Administrator, the Major Markets Administrator and the Residential Administrator to develop a set of common goals and strategies. Furthermore, the Administrators will be charged with preparing a joint work plan and budget within 60 days of a signed contract with DOA. The Residential Administrator will be required to set-aside a budget of at least four percent of its total contract to supplement renewable energy funding in the Residential Sector. For further information, see this plan under Renewable Energy Administrator.

7. Technology Research and Development (R&D)

Over the life of the contract, the Residential Administrator will identify R & D needs and, in coordination with DOA, will take measures it determines necessary to fulfill them within their allotted budget.

8. Contingency Fund

The Residential Administrator will retain five percent of the total residential program contract to be used for new programs, program modifications, as they are needed, or as a hedge against revenue shortfalls.

RENEWABLE ENERGY ADMINISTRATOR

The primary goal of the Renewable Energy Administrator is to increase customer applications of renewable resources in Wisconsin. Consumer applications of renewable resources refer to renewable energy primarily used on the property where it is produced.

DOA will contract with a Renewable Energy Administrator to implement the conceptual and specific suggestions in this plan. The Administrator will be expected to promote market transformation in renewable energy markets, contribute to the overall reliability of electric service in Wisconsin, foster rural economic development and reduce the impact of energy use on the environment. Additionally, the Administrator will be expected to leverage its efforts and Wisconsin Focus on Energy funding through appropriate partnerships at a regional and national level.

DOA anticipates that the Administrator will develop and carry out a specific plan that transforms the energy service market to the point where renewable resources are considered a credible and available resource in the majority, if not all, energy decisions. At the same time, the Renewable Energy Administrator will be expected to assist businesses interested in manufacturing and providing renewable products and services to help them increase the size of their markets and their market share. The Administrator will work very closely with both the Major Markets and Residential Administrators, as well as with federal programs and DOA to achieve this objective.

1999 Act 9 requires that at least 4.5 percent of the energy efficiency appropriation be set aside for proposals that encourage the development or use of customer applications of renewable resources—including educating customers, encouraging uses of renewable resources by customers or members, or encouraging research technology transfers. The minimum amount allocated for renewable energy after all funds have been transitioned into the Public Benefit fund is estimated to be \$2.8 million per year. This funding will be supplemented by amounts budgeted by both the Major Markets and Residential Administrators.

Although the Renewable Energy Administrator will determine program specifics such as design and implementation strategy, the core of Wisconsin's Public Benefits renewable energy program will be a Major Markets component and a Residential component (including low-income residential). Immediately after receipt of a contract award, the Renewable Energy Administrator will take the lead to develop a joint renewable energy work plan with the Major Markets and Residential Administrators. This joint work plan, with specific goals and objectives, will be completed and submitted to DOA for approval within 60 days of the signing of the Renewable Energy Administrator contract.

At a minimum, the work plan will address the following issues:

- A key element will be a complete explanation of the theory of renewable energy development employed by the three Administrators.

- The work plan will also identify priorities among renewable technologies to be followed by the Administrators. DOA anticipates that daylighting technologies will be one of these priorities.
- The work plan may also outline the need for any additional market research determined to be necessary by the Administrators.
- The work plan must contain a complete budget proposal, incorporating both the renewable funding and the amounts budgeted by the Major Markets and Residential Administrators.
- The work plan will address renewable energy development, and integrate renewable technology into, as many of the components of the Major Markets and Residential programs as is reasonable consistent with available funding. Schools and other government buildings must not be overlooked.
- DOA anticipates that the work plan will incorporate a special focus on agricultural programs. The agricultural sector contains significant opportunities to achieve multiple goals of the Public Benefits program using biomass energy crops and wastes for distributed power generation.
- The work plan should propose a complete training program designed to make developers, architects, builders, trade allies, facility managers and owners knowledgeable of the benefits of renewable technologies. Ideally, this training would be delivered in partnership with established education or training institutions and attempt to incorporate renewable technologies into the mainstream of energy decision making.
- The Administrators should work to identify and make available at least the financing options available to any energy project, as well as establishing unique arrangements that may be beneficial to renewable technologies.
- The work plan may propose a portion of the renewable energy funds for renewable technology research, development and deployment purposes.

The Renewable Energy Administrator will retain responsibility for all marketing efforts related to its contract. However, like other Administrators, the Renewable Energy Administrator will be required to negotiate and enter into an individual sub-contract with a marketing firm, jointly selected by DOA and the Program Administrators. While DOA will exercise approval authority over the final contract, the bilateral marketing contract will govern the entire marketing program for the Renewable Energy sector. Renewable marketing efforts (including printing costs) will be funded with money awarded in the Renewable Energy Administrator's contract and with money budgeted for renewable programs by the Major Markets and Residential Administrators.

The Administrator will retain five percent of the total renewable contract to be used for new programs or program revisions, as they are needed or as a hedge against revenue shortfalls.

ENVIRONMENTAL RESEARCH ADMINISTRATOR

1999 Wisconsin Act 9 requires a program to award grants for research and development regarding the environmental impacts of the electric industry. The Environmental Research and Development program will consist of the creation and management of an Environmental Research Forum (ERF). The ERF will make recommendations to the

Environmental Research Administrator and ultimately to DOA on the types of research to be conducted under this program and recommended funding levels for research projects. The Environmental Research Administrator will be responsible to bring together the members of the ERF, cover costs associated with the administration of the Forum, staff the Forum, manage the grant awards, oversee the research projects and report on the results. A key role of the Environmental Research Administrator will be to leverage research and funding opportunities with highly qualified partners to maximize the value of ERF recommended research projects. DOA will work with the entities listed below to appoint the members to the ERF.

1. Members on the Environmental Research Forum

- a) Chair - Department of Administration, Division of Energy, Administrator
- b) Representative - University of Wisconsin
- c) Representative - Public Service Commission
- d) Representative - Department of Natural Resources
- e) Representative - Environmental Community
- f) Representative - Low Income Community
- g) 3 Representatives - Utilities
- h) Others as determined by DOA

2. Environmental Research Forum Charge

The Environmental Research Forum will:

- Prioritize environmental research needs throughout the state.
- Solicit research proposals in the areas of identified need.
- Solicit research partners from among qualified entities throughout the country.
- Review research proposals submitted to the ERF.
- Provide recommendations to the Administrator and DOA for project support.
- Report the results from the research program on an annual basis.
- Fields of research may include, but are not limited to:
 - Air quality monitoring
 - Impacts of mercury deposition
 - Impacts of greenhouse gases
 - Impacts of sulfur dioxide and ozone
 - Indoor air quality issues
 - Water quality issues
 - Ecological impacts from transmission line development, power plant siting or renewable energy facility siting.

EVALUATION

As with the Focus on Energy pilot, an independent evaluator, contracted directly by DOA, will carefully evaluate each aspect of the Wisconsin Focus on Energy program. Once contracted, the evaluation team will work with each of the Program Administrators and DOA to compile a complete evaluation plan detailing how each program will be evaluated—including measures of success and potential energy savings.

DOA has made a commitment to identify and document the entire range of benefits received by the public as a result of the Wisconsin Focus on Energy program. In

addition to documenting the traditional kWh and therm savings of energy efficiency programs, DOA intends to identify and document accomplishments in terms of economic development, increased business competitiveness, air emissions, particularly NOx, and other benefits to be identified. DOA is well aware that the metrics to do this in an objective and defensible manner are not fully developed and the Department will be active in efforts, both internally and at a national level to develop those metrics.

The evaluation team will also measure many of the desired outcomes listed above. Frequent communication with the team will enable DOA to adjust and modify programs as necessary to meet the evolving needs of Wisconsin residents and businesses. Some of the most important measures, however, will consider the progress Wisconsin makes on a broader level—regionally—where there is a much larger energy efficiency market. Some of Wisconsin's program goals will be directly compared to the progress made in neighboring states (e.g. recognition of the ENERGY STAR® label in Wisconsin versus other states in our region). In addition to measuring differences, the evaluation team will also focus on opportunities the state has taken to capitalize on the strengths of other states in our region in partnerships formed.

Aside from the concrete measures of awareness, understanding, choice, market shifts and product availability, the evaluation will also examine some more abstract or qualitative measures such as comfort and reports from builders, retailers, etc.

Once the evaluation contract is in place, planning for the overall evaluation will begin. The final plan, as devised by the evaluation team will detail exactly what will be measured, and how the team will capture the selected measures.

BASELINE RESEARCH & MARKET ASSESSMENT

Obtaining a baseline of energy awareness and progress towards efficiency goals for the state is a critical part of the statewide program. This effort will begin prior to the design of each of the programs so that the Program Administrators are aware of the current energy efficiency baseline within the state. With this information, programs will be created which target precisely the right markets.

INTEGRATED MARKETING

Marketing will play an integral role in the Wisconsin Focus on Energy program, and will fill a variety of needs. The Residential, Major Markets and Renewable Energy Administrators, along with DOA, will jointly select a single, integrated marketing firm to design and deliver a full range of marketing and public relations functions for the Wisconsin Focus on Energy program. The marketing program will include an overall "umbrella" marketing campaign that addresses program-wide issues and may include image marketing as well as "branding" issues. Once the single marketing firm is selected, each of the three administrators will enter into a separate contract with the selected firm that determines the marketing budget for that sector of the program and addresses the unique needs of the sector as determined by the Program Administrator.

Having a single, integrated marketing firm is intended to allow for synergies among programs and ensure that marketing efforts of various programs are coordinated and do not overlap or conflict. To accommodate unique needs, Program Administrators may require that the selected marketing firm subcontract up to 20 percent of its budgeted work to specialty firms.

The overall “umbrella” marketing contract will serve several purposes. The marketing contractor will develop marketing guidelines to be followed by all Program Administrators and their sub-contractors, to insure continuity and consistency among all marketing efforts. The marketing firm will also propose to DOA policies related to branding of Wisconsin Focus on Energy and other portions of the Focus program. Branding should allow existing brands to be promoted first, when possible, but assure that the Wisconsin Focus on Energy name remains an identified resource on all materials.

The umbrella marketing contract will inform and educate residents about energy and wise energy decisions, as well as the opportunities presented by the Wisconsin Focus on Energy program. The firm will attempt to define the overall program for consumers and outline the individual services to be offered by the Program Administrators. This contract may include development and maintenance of a Wisconsin Focus on Energy Web site, a program-wide newsletter, and periodic marketing team meetings to promote coordination and awareness of program efforts across programs.

In addition to the umbrella marketing effort, the DOA will contract with a marketing/communications consultant to provide professional advice on the design of the marketing RFP and the make-up and structure of a marketing advisory team. The consultant will facilitate team meetings and work with the evaluation administrator to help design the marketing component of the evaluation. By providing continual support to the program implementers, the marketing team will help facilitate market transformation.

DOA expects the Administrators to recognize the key part marketing plays in delivering successful programs, and to dedicate an appropriate portion of their budget to marketing efforts.

The Department expects that, where possible, Program Administrators will choose to partner with existing campaigns that create synergies with Wisconsin programs. Economies of scale in the marketing campaign will ensure that all program dollars are maximized. For example, materials created nationally for the ENERGY STAR campaign may be usable by Wisconsin's Focus on Energy programs. Once customized for Wisconsin, these materials could help market the different ENERGY STAR programs implemented by each of the program administrators.

COMPLIANCE AGENT

The primary goal of the Compliance Agent is to assist the Division of Energy in the fiscal management and monitoring of contractors and their subcontractors engaged in operation of the Wisconsin Focus on Energy program. The fiscal management and monitoring will ensure that preventive measures exist to reduce exposure to misconduct and liability, and that programs meet the State guidelines as established in contracts. The Compliance Agent will also address methods to perform or subcontract program

monitoring functions. These may include site checks to verify that energy improvements were completed and verification that all contractors and subcontractors have completed the activities outlined in their invoice and specified in the program contracts. The Compliance Agent will work in coordination with the Division who will act as liaison with the contractors and their subcontractors.

A single firm will be selected, based on a competitive process consistent with State of Wisconsin procurement practices, to serve as the Compliance Agent. The Compliance Agent must comply with the State of Wisconsin competitive procurement practices for products and services purchased as a result of this award.

Responsibilities of the Compliance Agent

1. Fiscal Monitoring and Reporting

The Compliance Agent will develop a system or process to randomly sample and verify financial and operating activities to assure compliance with state contracts and the Guidance Manual. The Compliance Agent will do this through review of the contractor's invoice copies and back-up documentation and with a physical inspection of some portion of the work performed, in order to assure proper conduct.

The Compliance Agent will provide two separate fiscal monitoring reports to DOA detailing the results of its fiscal monitoring. The first shall summarize the monthly financial activity of each contractor and their subcontractors. The second report shall summarize the monthly inspections and other activities completed by the Compliance Agent. Each report shall be as concise as possible and still provide DOA with data clear and complete enough to ensure an appropriate level of oversight. The reports will place primary emphasis on improvement, not criticism, and include recommendations to improve problem areas.

2. Field Monitoring and Reporting

The Compliance Agent will perform or subcontract for the performance of random physical inspections of work performed by contractors, in order to verify the performance of contracted activities and confirm outcomes of energy efficiency goals. They will work in coordination with the Evaluation Contractor regarding these inspections, so as not to duplicate efforts.

3. Guidance Manual

The Compliance Agent will develop a manual that will become the definitive guide to assuring sufficient oversight of each of the Wisconsin Focus on Energy contracts and subcontracts. The manual will detail how contractors and their subcontractors will conduct financial management, record keeping and reporting activities in such a manner that DOA can be assured that contractors are in compliance with all contract provisions and that the contracted responsibilities are being conducted efficiently, effectively, and economically. It will also specify all information required of an acceptable invoice so that a clear accounting trail is maintained of all expenditures. This manual will specify criteria to be met by the contractors and subcontractors that provides guidance regarding high visibility activities such as memberships, travel, entertainment, or employee benefit related expenses.

4. Management Information System

The Compliance Agent will propose a design for a Management Information System that provides DOA management with all necessary fiscal information to adequately track contractor performance and program progress.

5. Non-Municipal Voluntary Contributions Adm. 43.10

DOA is authorized to provide a designee to receive voluntary contributions according to 43.10 (2). The determination to make such a designation will be after a trial period in which DOA is able to assess the volume of contributions received. If DOA determines to engage a designee for this purpose, it may designate the Compliance Agent to receive, process and record all voluntary contributions, forward contributions to DOA, and provide necessary reporting regarding contributions received. The proposal on this element is optional for the Compliance Agent and will be made after a trial period in order to assess the volume of contributions received.

APPENDIX A

Funding Source and Expenditures Spreadsheet

APPENDIX B

Structure Chart

APPENDIX C

Spreadsheet of Utility Transition Plans

APPENDIX D

Illustrative Energy Efficiency Allocation